

## Message Text

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ACTION STR-04

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FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC 4371

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E.O. 11652: N/A

TAGS: ETRD

SUBJECT: ZAIRE INVOLVEMENT IN THE QUININE TRADE

REF: STATE 175090

INFO REQUESTED BY REFTEL FOLLOWS:

1. PRODUCTION AND MARKETING OF CINCHONA IN ZAIRE COMES UNDER THE NORMAL SUPERVISION OF THE OFFICE NATIONALE DU CAFE (ONC). AN OFFICIAL OF THAT ORGANIZATION SAID THE GOZ MONITORS THE PRODUCT FOR STATISTICAL AND FISCAL PURPOSES BUT DISCLAIMERS ANY GOZ COLLABORATION WITH OTHER SUPPLIERS IN ITS MARKETING. HOWEVER, WHEN PRESSED FOR DETAILS ON HOW THE MARKETING IS ACTUALLY HANDLED, HE SUGGESTED THAT THE ONC OFFICE IN GOMA BE CONTACTED SINCE THEY HAD FEW DETAILS IN KINSHASA. A NUMBER OF ATTEMPTS TO REACH THE GOMA OFFICE BY TELEPHONE HAVE NOT BEEN SUCCESSFUL.

2. ALTHOUGH THERE APPEARS TO BE A NUMBER OF PRIVATE AND GOVERNMENT CONTROLLED PRODUCERS, A GERMAN FIRM, PHARMAKINA, HAS AN EFFECTIVE MONOPOLY ON THE PROCESSING OF ZAIREAN CINCHONA INTO QUININE. PHARMAKINA WAS

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FORMED IN 1958 BY BOEHRINGER-MANNEIM, GMBH, MANNHEIM,

FRG AND SOME BELGIANS INTERESTS. IN 1961 THE BELGIAN INTEREST SOLD OUT TO THE GERMAN AFTER WHICH THE GERMAN PARENT FIRM CLOSED DOWN THEIR QUININE PRODUCTION FACILITY IN GERMANY IN FAVOR OF THE PHARMAKINA-BUKAVU PLANT. USING THE PLANT AS A BASE, PHARMAKINA WAS ABLE TO BUY UP LANTATIONS FROM PLANTERS QUITTING THE COUNTRY DURING THE TURBULENT DECADE FOLLOWING ZAIRIAN INDEPENDANCE AS WELL AS SET UP COOPERATIVE AND CONSULTATIVE ARRANGMENTS WITH THE REMAINING GROWERS. ADDITIONALLY PAHRMAKINA HAS ASSISTED SMALL AND MIDDLE SIZED ZAIRIAN FARMERS TO BECOME CINCHONA PRODUCERS.

3. ACCORDING TO AN UNPUBLISHED REPORT PREPARED FOR A ZAIRIAN OFFICIAL BY PHARMAKINA'S MANAGER, THE FIRM DOES ENGAGE IN CONTROLLED MARKETING OF QUININE WITH THE APPARENT PASSIVE COOPERATION OF THE GOZ. PHARMAKINA SEEKS TO STABILIZE THE SUPPLY ON THE WORLD MARKET SO THAT AN OVERSUPPLY DOES NOT DRIVE THE PRICE DOWN TO LEVELS OF THE EARLY SIXTIES-A PERIOD DURING WHICH MANY PRODUCERS WERE DRIVEN OUT OF BUSINESS ON THE OTHER HAND, IT SEEKS TO PREVENT AN UNDERSUPPLY WHICH WOULD DRIVE PRICES UPWARD TO THE POINT THAT MANUFACTURERS OF SUBSTITUTES COULD MAKE INROADS IN THEIR MARKETS OR THAT FORMER INDONESIAN PRODUCERS WOULD BE TEMPTED TO REENTER THE MARKET. THE REPORT STRONGLY IMPLIES THAT IN RETURN

FOR ITS PRIVILEGED POSITION IN ZAIRE, PHARMAKINA OPERATES 3 FREE HOSPITALS AND SUPPLIES QUININE TO THE LOCAL MARKET AT VERY LOW PRICES. ACCORDINGLY, THE EXPORT PRICES ARE WELL ABOVE WHAT WOULD HAVE BEEN THE USUAL MARK UP.

4. A VISITING EXPATRIATE BUSINESSMAN WHO HAS BUSINESS INTEREST IN THE KIVU AREA ADVISED THE COMATT THAT PHARMAKINA HAS AN ABSOLUTE GOZ GIVEN MONOPOLY ON THE PURCHASE OF CINCHONA BARK WITH LESS THAN A 5 PERCENT QUININE CONTENT. FOR CINCHONA BARK OVER 5 PERCENT, IT IS POSSIBLE TO GET DEROGATIONS FROM THE GOZ TO SELL IT ON THE INTERNATIONAL MARKET. TWO ZAIRIAN BUSINESSMEN HAVE OBTAINED SUCH DEROGATIONS AND FROM TIME TO TIME CARRY OUT SOME SPECULATIVE MARKETING-SUPPOSEDLY MUCH TO THE DISPLEASURE LIMITED OFFICIAL USE

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OF THE PHARMAKINA MANAGEMENT SINCE THIS TENDS TO DESTABILIZE THE MARKET. THIS BUSINESSMAN PROMISED FURTHER DETAILS ABOUT THIS AND OTHER ASPECTS OF ZAIRIAN CINCHONA MARKETING WHICH ARE EXPECTED IN THE NEAR FUTURE. WALKER

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